EXHIBIT B

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

CONFIDENTIAL--TO BE FILED UNDER SEAL
SUBJECT TO PROTECTIVE ORDER

THE STATE OF CALIFORNIA, ex rel. VEN-A-CARE OF THE FLORIDA KEYS, INC., **Plaintiffs,** **v.** **ABBOTT LABORATORIES, INC., et al.** **Defendants.**	**MDL No. 1456** **Master File No. 01-12257-PBS**

EXPERT REPORT OF JEFFREY J. LEITZINGER, PH.D.--SANDOZ

Econ One Research, Inc.

June 30, 2009

15.   A chargeback occurs when the sale price initially recorded for a product purchased by a wholesaler exceeds the price at which that manufacturer has agreed to sell that product to one of the wholesaler's customers. After the wholesaler delivers the product to the customer and receives the contractually-agreed upon payment, the wholesaler then submits a refund claim to the manufacturer for the difference between its acquisition cost (from the manufacturer) and its contract price (to the customer). After processing the chargeback claim, the manufacturer then credits that amount to the wholesaler's account.

16.   In the transaction-level data, chargebacks for blocks of past purchases are recorded, following processing, as lump-sum reductions in the balance owed by the wholesaler to the manufacturer. They may not appear in the transaction-level data until several months after the wholesaler purchases that gave rise to them.

17.   Rebates and other credits are recorded within the transaction-level data in a similar fashion--i.e., they involve lump-sum credits corresponding to prior purchase activity that appear in the data when issued, with no identification of the prior activity to which they relate.

18.   Following a convention used by the U.S. government for Medicare reimbursement,[14] I use average payment adjustment percentages over a rolling

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[14] See Federal Register, September 16, 2004, Volume 69, Number 179, pp. 55763-55765 for a description of how to calculate the manufacturer's average sales price (ASP).

12-month period to account for chargebacks, rebates, and other credits.   In particular, to calculate the average net price (for any given product) in a given quarter,[15] I first calculate the average payment adjustment percentage over the 12 months preceding the beginning of the quarter.   I then obtain the net price for that quarter by taking the average gross price[16] in the immediately preceding quarter and reducing it by the average adjustment percentage.[17]

19.   According to DHCS's "price spreading" policy, payment for drugs dispensed is based on a standard package size of 100 tablets or capsules.[18] Therefore, once I calculate the average net price for the standard package size (where available) for each relevant Sandoz product, I adjust the average net price for any non-standard package size.[19]   For those relevant Sandoz products for which there is no standard package size, I do not make any adjustment.

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[15] The price is calculated as of the beginning of a quarter.

[16] Calculated as gross revenue divided by units (the number of packages).

[17] For example, in order to calculate the average net price as of the beginning of 2000Q1, I first aggregate price concessions and gross revenue for January 1, 1999 through December 31, 1999.   I then calculate the ratio of price concessions to gross revenue.   This ratio then is used to discount the gross price for 1999Q4.   For example, if total price concessions equal $100 for January 1, 1999 through December 31, 1999 and total gross revenue equals $400 for that same period, the ratio is 0.25.   If the gross price for 1999Q4 is $1.00, then the net price is $0.75 (calculated as $1.00x(1-0.25)).

[18] "If a standard package is commercially available, spread the price from the standard package size to the other package sizes. . . . price spreading occurs among National Drug Codes (NDC) for a specific strength and dosage form for specific manufacturer's drug product." OIL # 182-99 (CAAG/DHS-LL0001432-434). See, also, Section 51513 of Title 22 of the California Code of Regulations.

[19] For example, if the average net price for a 100-tablet bottle is $105, then the average net price for each extended unit is $105.   The average net price for a 500-tablet bottle is $525 (calculated as $1.05X500=$525).